

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 AGRE-00
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FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 4587

C O N F I D E N T I A L KINSHASA 6557

NOFORN

E.O. 11652: GDS
TAGS: EFIN CG
SUBJECT: GOZ FIRST SEMESTER BUDGET PERFORMANCE

REF: KINSHASA 4892

1. SUMMARY: THE GOZ'S FIRST SEMESTER BUDGET DEFICIT WAS 105.3 MILLION ZAIRES, SOMEWHAT ABOVE THE DEFICIT OF 99.7 MILLION ZAIRES RECORDED IN THE FIRST SEMESTER LAST YEAR. REVENUE PERFORMANCE HAS BEEN STRONG, BUT EXPENDITURES CONTINUE TO EXCEED BUDGETARY TARGETS. END SUMMARY

2. GOVERNMENT OUTLAYS FOR THE FIRST SEMESTER OF 1977 TOTALED 496.1 MILLION ZAIRES WHILE RECEIPTS REACHED 363.8 MILLION ZAIRES, LEAVING A DEFICIT OF 105.3 MILLION ZAIRES ON TREASURY OPERATIONS. THIS IS SOMEWHAT HIGHER THAN THE DEFICIT LAST YEAR AT THIS TIME (99.7 MILLION ZAIRES) AND EXCEEDS THE 80 MILLION ZAIRE HALF YEAR TARGET THAT SHOULD HAVE BEEN REACHED IF THE 1977 DEFICIT WERE TO BE HELD TO 160 MILLION ZAIRES, AS FORESEEN IN THE IMF STABILIZATION PROGRAM.

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3. REVENUE PERFORMANCE HAS BEEN STRONG, EXCEEDING BOTH LAST YEAR'S PACE AND THE PACE REQUIRED TO MEET IMF REVENUE TARGETS. A PARTICULARLY STRIKING IMPROVEMENT HAS BEEN ACHIEVED IN TAX REVENUE, WHICH JUMPED FROM 118.9 MILLION ZAIRES IN THE FIRST SEMESTER OF 1976 TO 200.3 MILLION ZAIRES IN THE FIRST SEMESTER OF 1977. THIS IS PRESUMABLY DUE TO IMPROVED COLLECTION AND MAY INCLUDE REVENUES UNDER THE NEW GULG AGREEMENT. CUSTOMS REVENUES

INCREASED FROM 92.5 MILLION ZAIRES IN THE FIRST SEMESTER OF 1976 TO 129.2 MILLION ZAIRES IN THE FIRST SEMESTER OF 1977 DUE IN PART TO RECEIPTS FROM THE NEW COFFEE EXPORT TAX.

4. EXPENDITURE PERFORMANCE WAS SOMEWHAT LESS SATISFACTORY, AS GOVERNMENT OUTLAYS SIGNIFICANTLY EXCEEDED LEVELS REQUIRED TO KEEP WITHIN THE GOVERNMENT'S EXPENDITURE TARGET OF 834 MILLION ZAIRES. GOVERNMENT OUTLAYS (AND THE GOVERNMENT DEFICIT) WOULD HAVE BEEN STILL GREATER HAD THE GOZ PAID MORE OF ITS EXTERNAL DEBT OBLIGATIONS. WITH THE CONCLUSION OF THE JULY 1977 PARIS CLUB AGREEMENT, ZAIRE WILL GAIN SUBSTANTIAL BUDGETARY RELIEF FROM THESE FIRST SEMESTER PRINCIPAL AND INTEREST OBLIGATIONS. NEVERTHELESS, THE NEED TO PAY SECOND SEMESTER INTEREST ON PUBLIC EXTERNAL DEBT WILL REQUIRE THE EXPENDITURE OF ABOUT 78 MILLION ZAIRES OVER AND ABOVE OTHER GOVERNMENT EXPENDITURES AND WILL INCREASE THE PRESSURE ON THE BUDGET IN THE SECOND HALF OF 1977.

GOZ BUDGET PERFORMANCE

	FIRST SEMESTER MAY 1977	FIRST SEMESTER JUNE 1977	FIRST SEMESTER 1977 (ACTUAL)	FIRST SEMESTER 1977 PROJECTED	FIRST SEMESTER 1976 ACTUAL
RECEIPTS	68.5	57.9	363.8	337	238.0
OF WHICH					
CUSTOMS	(26.9)	(26.7)	(129.2)	--	(92.5)

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TAXES	(37.7)	(25.7)	(200.3)	--	(118.9)
ADMIN					
RECEIPTS	(0.6)	(1.0)	(9.9)	--	(3.0)
OTHER	(3.3)	(4.5)	(24.4)	--	(23.6)
EXPENDITURES	66.7	85.8	469.1	417	337.7
DEFICIT -					
SURPLUS	1.8	-27.9	-105.3	-80	-99.7

6. AS ALWAYS, TWO CAVEATS GOVERN USE OF THE FOREGOING DATA. FIRST, SINCE DATA REPRESENTS ONLY THE CASH FLOW POSITION OF THE TREASURY, THEY DO NOT TAKE INTO ACCOUNT THE ACCUMULATION OF ARREARAGES WHICH PROBABLY GREW SUBSTANTIALY IN FIRST HALF OF 1977. THESE ACCUMULATED ARREARAGES CANNOT BE FACTORED INTO TE GOZ'S OVERALL BUDGETARY POSITION UNTIL THE IMF REVIEWS BUDGETARY PERFORMANCE. SECONDLY, SINCE THE FIGURES ARE OBTAINED FROM AN UNOFFICIAL BUT RELIABL SOURCE, WE ASK THAT THEY NOT BE DISTRIBUTED OUTSIDE USG AND NOT BE USED IN ANY UNCLASSIFIED DOCUMENTS.

7. COMMENT: WE ARE STILL NOT SURE TO WHAT EXTENT EXTRAORDINARY EXPENDITURES CONNECTED WITH THE SHABA INVASION MAY HAVE CONTRI-

BUTED TO THE GOZ DEFICIT. ALTHOUGH WE HAD SPECULATED (PARA 3 REFTEL) THAT THE LARGE APRIL EXPENDITURES (118.3 MILLION ZAIRES) MAY HAVE BEEN BOOSTED BY WAR RELATED SPENDING, WE HAVE SINCE HEARD THAT INSTEAD THIS RESULTED FROM THE LIQUIDATION IN APRIL OF OTHER OBLIGATIONS INCURRED LAST YEAR. PARADOXICALLY, EXPENDIURE FIGURES FOR BOTH MARCH AND MAY, DURING WHICH WAR WAS IN PROGRESS, ARE CONSIDERABLY LESS THAN 81.4 MILLION ZAIRES EXPENDED IN FEBRUARY. IN ANY EVENT, GOVERNMENT MAY HAVE INCURRED OBLIGATIONS DURING WAR WHICH HAVE NOT YET CLEARED TREASURY AND WHICH THEREFORE DO NOT APPEAR IN THE ABOVE FIGURES. WE HOPE TO GET A BETTER FIX ON THE COMPOSITION OF FIRST SEMESTER EXPENDITURES AND WILL REPORT AS DATA IS AVAILABLE. END COMMENT
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